

## Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 03083 111006Z

17

ACTION EB-07

INFO OCT-01 EA-06 ISO-00 AGR-05 CIAE-00 COME-00 INR-07

LAB-04 NSAE-00 SP-02 STR-01 TRSE-00 CIEP-01 FRB-03

OMB-01 L-02 AID-05 IGA-01 /046 W

----- 120049

R 110917Z MAR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1235

LIMITED OFFICIAL USE MANILA 3083

E.O. 11652: N/A

TAGS: ETRD, RP

SUBJECT: GOP PROPOSAL TO DEAL WITH COTTON CONTRACT PROBLEM

PASS USDA/FAS/WILLIAMS/COTTON DIV/FMD

REF: A. MANILA 2106 B. MANILA 1792 C. STATE 040608

1. FINAL TEXT OF THE GOP PROPOSAL TO DEAL WITH THE PAST DUE CONTRACTS OF PHILIPPINE TEXTILE MILLS FOLLOWS:

QUOTE

CONFORMABLY WITH YOUR REQUEST, WE ARE SUMMARIZING HEREUNDER THE POSITION WE HAVE TAKEN IN OUR LETTERS DATED FEBRUARY 12 AND 24, 1975 RELATIVE TO THE OVERDUE COTTON CONTRACTS OF PHILIPPINE TEXTILE MILLERS.

WE UNDERTAKE TO HAVE THE TEXTILE MILLERS HONOR ALL THEIR OUTSTANDING COTTON CONTRACTS WITH U.S. SUPPLIERS WITHIN THE SHORTEST TIME POSSIBLE.

HOWEVER, AS YOU MUST ALREADY BE AWARE OF, OUR ABOVE PROPOSED COURSE OF ACTION WOULD RESULT IN A NUMBER OF THE MILLERS BECOMING FINANCIALLY HANDICAPPED, PRINCIPALLY BECAUSE THE PRICES OF COTTON

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 03083 111006Z

THEY HAVE CONTRACTED FOR ARE ABOUT 40 PERCENT TO 50 PERCENT

HIGHER THAN CURRENT PRICES. THE DEPRESSED MARKET IN THE TEXTILE INDUSTRY TODAY, MOREOVER, WILL NOT ALLOW THE MILLERS TO SELL THEIR PRODUCTS AT HIGHER PRICES.

THEREFORE, TO LIGHTEN THE FINANCIAL BURDEN ON THE MILLERS SO AS TO ENABLE THEM TO OPEN SOONEST POSSIBLE THE LETTERS OF CREDIT FOR THEIR OUTSTANDING CONTRACTS, THE DBP IS CONSIDERING TO ASSIST THE MILLERS BY:

(1) GIVING THE MILLERS THREE YEARS WITHIN WHICH TO REPAY THE DBP THE VALUE OF THEIR COTTON IMPORTATIONS; AND

(2) EXTENDING A NEW PLAN OF PAYMENT FOR THE ACCOUNTS WITH DBP OF THE TEXTILE MILLERS, BASED ON THE COLLATERAL POSITION AND CASH FLOWS OF EACH INDIVIDUAL MILL.

THE PHILIPPINE NATIONAL BANK, ON THE OTHER HAND, IS ALSO CONSIDERING TO SUPPORT THE TEXTILE MILLERS WITH WORKING CAPITAL LOANS AGAINST THEIR FINISHED GOODS INVENTORY (NET OF THE COTTON CONTENT), IN ORDER TO ENABLE THEM TO CONTINUE OPERATIONS AND PREVENT FUTHER LAY-OFF OF WORKERS.

ABOVE FORMS OF FINANCIAL ASSISTANCE, WE FEEL, ARE SUFFICIENT FOR THE TEXTILE MILLERS TO COPE WITH THIS DIFFICULT YEAR. HOWEVER, THE DBP WOULD NEED THE SUPPORT OF THE NATIONAL GOVERNMENT IN ORDER TO FINALIZE ABOVE MENTIONED ASSISTANCE TO THE TEXTILE MILLERS.

WE WERE INFORMED THAT THE NATIONAL GOVERNMENT CAN ASSURE US OF THE DESIRED ASSISTANCE IF THE UNITED STATES GOVERNMENT WILL AGREE TO MAKE AVAILABLE TO THE PHILIPPINE GOVERNMENT, EITHER PL 480 FUNDS FOR COTTON, WHEAT, TOBACCO, CORN AND/OR OTHER GRAINS OR ADDITIONAL CCC FUNDS FOR COTTON, OR THROUGH A COMBINATION OF BOTH PROGRAMS. ACCORDING TO OUR RECORDS, THE AMOUNT OF COTTON UNDER CONTRACT, EXCLUDING THE REMAINING \$10 MILLION OF CCC AVAILABLE, IS ABOUT \$25 MILLION.

AFTER ADDITIONAL U.S. ASSISTANCE IS MADE AVAILABLE, WE EXPECT THE TEXTILE MILLERS, EXCEPT FOR THREE THAT CONTRACTED FOR MORE THAN ONE YEAR'S COTTON REQUIREMENT, TO HONOR THEIR OUTSTANDING CONTRACTS WITHIN

A PERIOD OF FOUR MONTHS OR WITHIN A POSSIBLY SHORTER PERIOD.  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 03083 111006Z

TO BE WITHIN ABOVE TIME CONSTRAINT, WE INTEND TO UTILIZE WHATEVER ADDITIONAL CCC FUNDS THAT MAY BE MADE AVAILABLE BY THE U.S. GOVERNMENT TO COVER ONLY COTTON UNDER CONTRACT AND TO ALLOCATE SUCH FUNDS FOR EACH SHIPPER AND TEXTILE MILL ON THE BASIS OF CONTRACTS NEGOTIATED PRIOR TO FEBRUARY 24, 1975.

IT IS OUR DESIRE TO RESOLVE THIS COTTON SUPPLY PROBLEM AS SOON AS POSSIBLE. WE THEREFORE HOPE TO RECEIVE AN EARLY REPLY FROM YOU ON ABOVE MATTERS.

UNQUOTE

2. COMMENT: THIS PROPOSAL WAS PREPARED AND TRANSMITTED TO THE AMEMBASSY BY THE DEVELOPMENT BANK OF THE PHILIPPINES IN A LETTER DATED MARCH 7. THE LETTER WAS SIGNED BY LEONIDES S. VIRATA, CHAIRMAN OF THE BOARD OF GOVERNORS.

3. THE REFERENCE IN THE ABOVE PROPOSAL TO LETTERS DATED FEBRUARY 12 AND 24 RELATES TO ELEMENTS OF PROPOSALS AS FINALLY SUBMITTED. SULLIVAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** COTTON, POLICIES, CONTRACTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 11 MAR 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** MartinML  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1975MANILA03083  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D750084-0935  
**From:** MANILA  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1975/newtext/t19750363/aaaacehf.tel  
**Line Count:** 130  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 75 MANILA 2106, 75 MANILA 1792, 75 STATE 040608  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** MartinML  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 23 JUL 2003  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <23 JUL 2003 by ElyME>; APPROVED <19 NOV 2003 by MartinML>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
05 JUL 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** GOP PROPOSAL TO DEAL WITH COTTON CONTRACT PROBLEM PASS USDA/FAS/WILLIAMS/COTTON DIV/FMD  
**TAGS:** ETRD, RP  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006